



COUNCILMEMBER DONNA FRYE
City of San Diego
Sixth District

MEMORANDUM

DATE: June 4, 2007

TO: Mayor Jerry Sanders
Michael Aguirre, City Attorney
Mark Blake, Chief Deputy Attorney
Jay Goldstone, CFO & Unofficial City Auditor
Greg Levin, Deputy Comptroller
Ronne Froman, COO
John McNally, Hawkins, Delafield & Wood

FROM: Councilmember Donna Frye *Donna Frye*

SUBJECT: 2003 Comprehensive Annual Financial Report (CAFR)

In advance of the June 5, City Council meeting/review of the 2003 CAFR, I am providing the following questions so that you will be prepared to respond:

1. On November 29, 2006, the Mayor presented a Five-Year Financial Outlook for Fiscal Years 2008 – 2012 (Outlook). The Outlook assumes a General Fund deficit of over \$170 million for every year from FY 2009 through 2012 and no salary increases from 2008-2012. Including the recent salary increase for police, these combined liabilities are at least \$700 million. Will you include these liabilities in the 2003 CAFR?
2. On the page before the Table of Contents, a footnote should be included stating that the City Treasurer, Gail Granewich, did not attend the final DPWG meeting reviewing the 2003 CAFR, but did review the 2003 CAFR in earlier meetings of the DPWG. Should this information be disclosed?
3. The position of the City Auditor and Comptroller is currently vacant, but Jay Goldstone, CFO, is also the unofficial acting City Auditor. Will this information be included?

4. According to a May 4, 2007 memo from Janice Weinrick, Redevelopment Agency Deputy Executive Director, the Redevelopment Agency does not have audited financial reports for fiscal years 2003-2006. On page 15, under Financial Reporting Entity (or elsewhere in the 2003 CAFR that may be more appropriate) it should be disclosed that the Redevelopment Agency does not have audited financial reports for fiscal years 2003-2006. Will this information be disclosed?
5. Also in the May 4, 2007 memo, it states that, "*the Agency's financial report for Fiscal Year 2003 can be issued in approximately 30 days.*" Please provide a copy of the financial report and a copy of the independent auditors' letter and any other reports (such as an Internal Control Report) that may accompany the auditors' opinion letter.
6. On page 15, under Financial Reporting Entity, it should be disclosed which, if any, of the other component units do not have audited annual financial reports. This should include the year(s). Will this be disclosed?
7. On page 17, it states that, "*Effective fiscal year 2009, Unfunded Actuarially Accrued Liability will be amortized using a 15 year assumption...*" This is not true, and that the correct amortization period should be disclosed. Will the correct amortization period be included?
8. On pages 19 and 20 (Other Financial Information), the January 2006, Auditor and Comptroller's Annual Report on Internal Controls (Report) is mentioned, however, the January 2007 Report is not. This information should be included in the Letter of Transmittal as well as the Independent Budget Analyst's January 25, 2007, Report Number 07-18. At a minimum, the link to the website where the 2006 and 2007 Reports and the IBA's Report can be accessed, should be included. Will this information be included?
9. On page 107, there is a reference to the San Diego Revitalization Corporation. What is this?
10. On page 127, it states that there is land held by the Water Department (which it financed), and the land will be sold to the Redevelopment Agency in fiscal year 2007. Please identify the specific parcel of land to which this refers, whether the land has been sold, and if so, for how much?
11. On page 161, Internal Revenue Service Code Violations, I could not find any disclosure regarding the Preservation of Benefit Plan and the current \$22.8 million liability. Please identify where this liability is disclosed, and if it is not, will it be disclosed?
12. Have any project areas within the Redevelopment Agency exceeded their debt limit? If so, this information needs to be disclosed.

13. On page 163, Third Party Debt, it states that Mortgage and Revenue Bonds and Industrial Development Bonds have been issued, but no dollar amount is shown. Has that been disclosed and if so, where? If not, why not?
14. On page 167, the amount of rent that the City receives from the Chargers is shown, but the offsets against the rent the Chargers pay (that reduces the annual rent amount paid to the City) is not. Will this information be included?
15. In addition, there is provision in the current Charger contract that could allow a payment less than the \$56 million (shown on page 167) if the Chargers leave Qualcomm. Is that information disclosed? Should the contract changes be disclosed to the secondary market, and if so, have they been?
16. On page 188, there is a short discussion about MP-2 and the fact that result of the change to the basic multiplier for each year of service significantly affects the City's Actuarial Accrued Liability. Where is the amount of the MP-2 liability disclosed?
17. What is the outcome of the evaluation of the City's compliance with the MSCP Implementing Agreement? Is the City in compliance?
18. On what page(s) is the Redevelopment Agency debt to the City shown? Is a repayment schedule shown?

Cc: Honorable City Councilmembers
Andrea Tevlin, IBA
Stanley Keller, Independent Consultant

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